TD/B/SR.469
6 March 1970
ENGLISH
Original: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD

Ninth special session (Third Part)

SUMMARY RECORD OF THE 469th MEETING

held at the Palais des Nations, Geneva,
on Tuesday, 3 March 1970, at 11.40 a.m.

President: Mr. JAYAWARDENE (Sri Lanka)

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Corrections to the records of the meetings of the Board at the third part of the ninth special session will be consolidated in a single corrigendum to be issued shortly after the end of that part of the session.

PURSUANT TO CONFERENCE RESOLUTION 46 (IV), REVIEW OF ACTIVITIES CONTRIBUTING TO INCONVENIENCE OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCOVERY OF FEATURES WHICH COULD PROVIDE GUIDANCE IN ATTAINING RELIEF TO MOST PROBLEMS (agenda item 1) (TD/B/684 and Corr.1, 2 and 3; Corr.4; TD/B/C.2/L.[illegible]; TD/B/C.2/L.[illegible]; TD/B/C.2/9 and Corr.1; TD/B/EC.2/5) (continued)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE NATURAL DISADVANTAGES OF DEVELOPING COUNTRIES AS REFERRED TO IN PARAGRAPH TD/B/C.[illegible] AND TD/[illegible] AND 3 (a) AND (b) OF TD/B/684, TD/B/[illegible], TD/B/AC.[illegible]/[illegible] (continued)

CONSIDERATION OF BOARD DECISION 165 (XVI) RELATED TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED COUNTRIES (agenda item 4) (TD/B/[illegible] and Corr.1, TD/B/[illegible], TD/B/[illegible]) (continued)

1. Mr. de la FUENTE (Peru) said that the statement by the Minister for Foreign Affairs of Peru at the present session of the Board had referred to the seriousness and scope of responsibility with which the Government of Peru was confronting the present difficult economic and financial problems, at the national and international levels, and the initiatives to secure a constructive contribution to the Board's efforts in the present and foreseeable situation. It also reflected the Peruvian Government's conviction that the roots of the problem of external indebtedness lay in the present structure of international economic relations and that short-term measures must therefore be inspired within a broad context of the establishment of a harmonious, stable and increasingly interdependent new international economic order.

2. Thirteen years had elapsed since a set of general and special principles to govern international economic relations had been established at the first session of the Conference. Nearly five years had elapsed since the adoption of the Declaration and the Programme of Action on the Establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States. And it was only a few months since the closure of the Conference on International Economic Co-operation, one of the largest and most extensive efforts ever made in the history of international economic relations and also one of the least productive. Although the results achieved since the first session of the Conference had not been very encouraging, progress had nevertheless been made in the evaluation the problems of development and their effect on international peace and security. The current special session of the Board would decisively demonstrate whether the international community was capable of finding, on the basis of consensus, appropriate formulae genuinely geared to the solution of the short-term and long-term debt problems of the developing countries.

3. There were no miracle solutions. Development and the adoption of the necessary measures to achieve it were the responsibility of each Government. But the international community also bore a share of responsibility to the extent that it wished individual measures to be in the general interest and to promote the harmonious development of international relations. For that there were two basic requirements: realism and cooperation - realism in order to establish viable positions and cooperation in order to find a common interest and bring it to the level of practical solutions.

9. That was, therefore, another of the basic elements which, in his opinion, should form part of the guidelines to be agreed on at the present session for the formulation of specific measures for solution of the debt problem. In other words, those measures should enable the rates of development established in the International Development Strategy to be maintained.

10. If the two basic principles which he had mentioned were adopted at the present session, the Board would have made tangible political progress in dealing with the question before it and would thus have opened the way towards more specific agreements. Such action would make it possible to establish more specific policy guidelines for the solution of individual aspects of the problem. It would also lend further support to the important action taken by Sweden, the Netherlands, Canada and Switzerland in favour of the least-developed countries and to initiatives such as that taken by Venezuela within the Organization of Petroleum-Exporting Countries. Those were noble gestures which should be acknowledged at the present session. Similar decisions might be taken with regard to the least developed countries' debts to the international financial institutions, especially the Agency for International Development, and the other industrialized countries might take the opportunity to follow the example which had been given.

11. The most complex problem before the Board, however, was the indebtedness of those countries whose debt-servicing constituted a short-term problem. In his opinion, the most important contribution the Board might make at the present ministerial part of the session would be the adoption of basic policy guidelines for case-by-case negotiations between debtor and creditor countries concerning the rescheduling of debts. Among the basic criteria on which agreement might be reached, emphasis should be placed on, firstly, the urgency of the need for action because of the anticipated impact of debt-servicing on export earnings and, secondly, an objective criterion to guide the national repayment effort measured in the light of movements of the prices of the raw materials exported by the debtor country concerned. He believed such a linking of debt-service payments to export prices was justifiable, as raw materials constituted the basic source of foreign currency earnings of the developing countries. The current depressed levels of such earnings was undoubtedly a major reason for the difficult situation confronted by those countries.

12. Expansion of non-traditional exports was another element which could, in the short term, provide additional resources to alleviate the situation confronted by debtor countries. In that connexion, a political compromise should be reached at the present session so that specific programmes might be undertaken for the expansion of the non-traditional exports of the developing countries, in particular through the identification and opening of markets, export credits and financing facilities for the import of inputs - measures which could be negotiated between the debtor and creditor countries directly involved and in the appropriate institutions.

13. The Peruvian Government was particularly concerned at the further escalation of protectionism in the industrialized countries. If that trend continued, any agreements reached within the Board would be fruitless. The Board must therefore draw attention to that development and the countries concerned must give a political undertaking to maintain the status quo with regard to trade restrictions.

14. Those efforts to deal with issues of concern to the developing countries which had remained dependent on reform of the international monetary system should

be given a fresh impetus. He had in mind in particular expansion and improvement of the International Monetary Fund's compensatory financing facility and the establishment of a link between the creation of special drawing rights and development financing.

15. The current difficulties resulted largely from the international community's failure to take timely and far-sighted decisions. What was now needed was a sense of timing and political vision, for without them the convening of the current ministerial meetings of the Board would be to no avail. His delegation was prepared to lend constructive support in the task before the Board and hoped that the session would be marked by decisions. If it was not, the aims of Conference resolution 94 (IV) and of the recent General Assembly resolution on the same subject would lose all credibility. His delegation was confident that the results achieved would reaffirm the viability of the Board's dialogue and the genuineness of its political vocation.

16. Mr. HUSSEIN (Egypt) said that his delegation's views on the developing countries' debt problems were in line with those expressed by the spokesman for the Group of 77 at the preceding meeting. Those problems were closely linked with the development efforts of those countries. In the developing world, some 800 million people currently lacked the minimum requirements in respect of nutrition, clean water, functional literacy, basic health services and decent accommodation. Increased growth rates and improved general economic conditions were the way out of the dilemma. If economic growth continued at the present low rate, the prospects for improvement would be even more remote. His delegation firmly believed, therefore, that debt relief and future debt reorganization were as important and vital as the flow of real resources in helping to improve the economic conditions of a considerable number of developing countries.

17. The indebtedness of the developing countries had been one of the major issues left outstanding after the Conference on International Economic Co-operation. The report on that Conference (document A/31/478) indicated that while the participants from developing countries had recognized that some progress had been achieved in meeting certain of their proposals, they had noted with regret that agreement had not been reached on most of the proposals for structural changes in the international economic system and on other proposals for urgent action to deal with pressing problems, including the debt problems of the developing countries. The participants in the Conference had nevertheless agreed that the work on the proposals considered at the Conference could form a useful basis for consideration in other appropriate forums.

18. At the resumed thirty-first session and at the thirty-second session of the General Assembly, the hope had been expressed that effective negotiations would be undertaken in the various organs of the United Nations system with a view to achieving positive results on all issues relating to the new international economic order, including the issue of the indebtedness of developing countries. In resolution 32/197, the General Assembly had called on the Trade and Development Board, [illegible] sessions, to reach satisfactory decisions on the debt problems of the developing countries. Egypt considered those problems to be one of the most important and urgent issues of the new world economic order. It believed that the Board could demonstrate a substantial political will at the present session and take immediate decisions that would produce tangible results. In preparation for the assessment of the progress made towards establishment of the new international economic order, the Committee of the Whole established under General Assembly resolution 32/174 would oversee and monitor the decisions and agreements reached by the Board.

19. It was therefore necessary to reach practical conclusions on adjustment of the terms and conditions of the outstanding debts owed to developed countries by certain groups of developing countries, an increased flow of official development assistance (ODA) in the form of grants or on IDA terms to the less developed countries and other poorer developing countries and the establishment of favourable norms and conditions to ensure certainty in future debt reorganization.

20. Through the Special Action Programme, some developed countries members of Group B had taken measures to alleviate the debt burden of the least developed countries, the most seriously affected countries and/or the lower-income countries. His delegation wished to pay tribute to the political will demonstrated by the Governments of Canada, the Netherlands, Norway and Switzerland. It invited other developed countries members of Groups B and D to adopt similar measures in response to the proposals of the Group of 77.

21. The Swedish suggestion on ODA debts submitted during the second session of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries was a constructive contribution. His delegation proposed that that suggestion (TD/B/AC.3/AIM.1, pages 46 and 47) and the proposal by the Group of 77 contained in annex I to document TD/B/970 should be considered together by the Board, as its first priority. Both proposals aimed at placing the debtor countries once more on the road to development and increasing their future capacity to service their debts.

22. Paragraph 3 of Conference resolution 96 (IV) expressed the need to establish an internationally accepted policy framework within which debt reorganization could be flexibly conducted to deal with individual cases. In that connexion, the common elements in the case proposed by the Group of 77 and the United States proposal in document TD/B/AC.3/AIM.1 might form a suitable basis for possible agreed provisions to guide future debt reorganization.

23. In order to expedite the Board's work, it would be advisable to start negotiations immediately on the outstanding issues. His delegation hoped that there would be a change in the political will of the various groups that would result in a successful outcome for the session. World public opinion hoped for a satisfactory solution to the debt problems of the developing countries, a solution which would be reflected in the economic prosperity of the developed countries.

PROCEDURAL MATTERS (agenda item 4) (continued):

(a) ADOPTION OF THE AGENDA AND ORGANIZATION OF THE WORK OF THE SESSION (TD/B/694) (continued)

24. The PRESIDENT said that a number of questions connected with the organization of work at the third part of the session had been left pending at the preceding meeting.

25. In the light of consultations he had had with the regional co-ordinators on those questions, he suggested that, in addition to the plenary meetings, one committee of the whole and one working group should be established to consider the

official debt problems of developing countries. The working group would also consider the question of guidelines or common norms for future debt reorganization. In order to make the most effective use of the time available, the committee of the whole should not concern itself with the latter question until the working group was ready to present a report. Plenary meetings of the Board would take place concurrently with the meetings of the committee of the whole and of the working group. The Chairmen of those bodies would be elected on the basis of consultations to be held shortly with the Co-ordinators. Each of those bodies would elect its own Vice-Chairman-cum-Rapporteur.

26. It was so decided.

The meeting rose at 18.20 p.m.